



# ARIZONA STATE RETIREMENT SYSTEM

3300 NORTH CENTRAL AVENUE • PO BOX 33910 • PHOENIX, AZ 85067-3910 • PHONE (602) 240-2000  
7660 EAST BROADWAY BOULEVARD • SUITE 108 • TUCSON, AZ 85710-3776 • PHONE (520) 239-3100  
TOLL FREE OUTSIDE METRO PHOENIX AND TUCSON 1 (800) 621-3778  
EMAIL ADDRESS: ASKMAC@AZASRS.GOV • WEB ADDRESS: WWW.AZASRS.GOV

*Paul Matson*  
Director

## SUMMARY OF THE PUBLIC MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM INVESTMENT COMMITTEE

HELD ON  
Monday, April 12, 2010  
2:30 p.m.

The Investment Committee (IC) of the Arizona State Retirement System (ASRS) met at 3300 N. Central Avenue, 14th Floor Conference Room, Phoenix, Arizona 85012. Mr. Tom Connelly, Chair of the IC, called the meeting to order at 2:32 p.m., Arizona time.

### 1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Tom Connelly, Chair  
Mr. Chris Harris, Vice-chair  
Mr. Larry Trachtenberg

Absent: Mr. Jim McLaughlin

A quorum was present for the purpose of conducting business. Mr. Dave Byers, Chairman of the Board was also present.

### 2. Approval of the Minutes of the March 15, 2010 Regular Informational Session IC Meeting

**Motion:** Mr. Chris Harris moved the minutes of the March 15, 2010, Regular Informational Session IC meeting be adopted as presented. Mr. Larry Trachtenberg seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions, and 1 excused, the motion was approved.

### 3. Presentation, Discussion, and Appropriate Action Regarding the Investment Management Division's (IMD) House Views

Mr. Gary Dokes, Chief Investment Officer, introduced the topic and provided the IC with a brief overview of the Investment Management Division's House Views. Mr. Dave Underwood, Equity Portfolio Manager, discussed the equity market and Mr. Al Alaimo, Fixed Income Portfolio Manager, discussed the fixed income market. The Investment Committee asked for clarification so they could better understand how the House Views are being presented. Mr. Connelly asked that a one-page glossary be included in the IMD House Views which clarifies the time period (current/prospective) and applicability of asset class metrics and conviction levels.

### 4. Presentation, Discussion, and Appropriate Action Regarding Various Methods of Structuring Exposure to U.S. Equity Markets

Mr. Connelly introduced the topic. Mr. Dasari discussed different ways to structure a U.S. Equity Market beta exposure. The IC expressed a presumption in favor of passive management until the case for active management can be made by evidence. The written material was

presented; discussions were held regarding the evidentiary basis for such a presumption.

During the discussion, Dr. Falkenstein, an independent academic and past portfolio manager from Minneapolis spoke via conference call about his theory of no risk premium and its implications for portfolio construction. Next, Mr. Robert Deere (DFA) spoke via conference call to give his thoughts on the implication of the Fama-French explanation of the cross-sectional variances in stock returns and its continued efficacy.

The IC asked IMD for a recommendation for consideration regarding how best to structure the ASRS' U.S. Equity Market beta exposure. Mr. Paul Matson, Director, responded that he and the related IMD personnel will meet to debate and determine succinct recommendations which will be presented to the IC at the scheduled June IC meeting.

#### **5. Presentation, Discussion, and Appropriate Action Regarding Director's Asset Class Committee Update**

Mr. Dokes provided the IC with a brief update regarding recent activities with the ASRS Private Equity Committee (PEC), Real Estate Committee (REC), Opportunistic Investment Committee (OIC) and Public Equity/Fixed Income Markets Committee (PMC).

#### **6. Future Agenda Items**

Mr. Dokes stated an interim IC meeting will be scheduled in May (TBD) to discuss development at DB, one of the ASRS' Global Tactical Asset Allocation (GTAA) managers, and an ASRS Investment Policy Statement (IPS). Both topics may likely include recommendations. Per the ASRS Governance Handbook any ASRS GTAA manager mandate modifications require approval by the Opportunistic Investment Committee (OIC), and approval of a strategic IPS document would be required by the IC/Board.

Mr. Connelly suggested that a discussion of regional investment opportunities (such as banks) occur at the Opportunistic Investment Committee (OIC).

#### **7. Call to the Public**

No members of the public requested to speak; the meeting adjourned at 5:37 p.m.

Respectfully submitted,

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Gayle Williams, Secretary

Date

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Gary R. Dokes, Chief Investment Officer

Date